



# **From Formula to Risk: The New Homeland Security Grant Program**

White Paper

## From Formula to Risk: The New Homeland Security Grant Program

President Bush signed into law an Appropriations bill that authorized funding for the Department of Homeland Security's (DHS) Homeland Security Grant Program (HSGP) and also set in place a fundamental change with how grants will be awarded. The HSGP is a grouping of six smaller grant programs aimed at providing planning, equipment, training, exercise, and management and administrative funding for emergency prevention, preparedness, and response personnel in states and territories.

More than \$2.3 billion has been appropriated to the six grant programs that comprise the HSGP. There are important steps applicants must take prior to undertaking a response to an HSGP application. When applying for HSGP funding, states, localities, and the contractors that support them, should be aware of the new funding aspects of the HSGP. Knowledge of DHS' mechanism for funding and distributing grants and requirements for state preparedness compliance are instrumental in order to be a successful applicant.

The following six grant programs comprise the Homeland Security Grant Program:

- *Citizen Corp Program (CCP)*
- *Emergency Management Performance Grants (EMPG)*
- *Law Enforcement Terrorism Prevention Program (LETPP)*
- *Metropolitan Medical Response System (MMRS)*
- *State Homeland Security Grant Program (SHSGP)*
- *Urban Area Security Initiative (UASI)*

The funding for most of the above programs remain virtually the same. The key difference the legislation provided was related to *how* the funding is to be awarded.

### Formula Change

The FY 2006 budget demonstrates an effort to restructure DHS grant funding to state and local governments by concentrating them on needs and risk rather than an established allowance based largely on population formula. The budget proposes changes in the structure that provides federal homeland security grant funding to state and local governments with a shift from formula to discretionary grants funding. The proposal to award on a discretionary basis accounts for risk areas and an application for need basis. Exhibit 1 illustrates year over year changes in funding mechanisms and value for the programs where known funding restructuring or value has taken place.

Program	FY2005 Mechanism	FY 2005 Enacted	FY2006 Mechanism	FY 2006 Enacted
The State Homeland Security Grant Program	Formula	N/A	Risk	\$390M
The State Homeland Security Grant Program	Formula	\$1.8B	Formula	\$550M
Law Enforcement Terrorism Prevention Program (LETPP)	Formula	\$386M	Formula	\$400M
Urban Area Security Initiative (UASI)	Risk	\$885M	Risk	\$765M

**Exhibit 1**

**Source: INPUT**

## NIMS Impact

The National Incident Management System (NIMS) provides a consistent framework for entities at all jurisdictional levels to work together to manage domestic incidents, regardless of cause, size, or complexity. Incidents such as Hurricane Katrina expose the need for rapid standards compliance by the states.

Specifically, NIMS strives to achieve standardized organizational structures, processes and procedures, training and exercising, personnel qualification standards, certification standards, and interoperable communications processes. Technologies such as voice and data communication systems, display systems, and information management systems are potential funding opportunities in connection with NIMS compliance implementation.

Vendors working with states and localities should be aware of these new standards in order to provide effective solutions to state and local customers that incorporate NIMS best practices. State, territorial, tribal, and local entities are being asked to become fully compliant with NIMS during FY 2006. Jurisdictions will be required to meet the FY 2006 NIMS implementation requirements as a condition of receiving federal preparedness funding assistance in FY 2007. For this reason, vendors seeking to do business with entities that have not complied with federal guidance on becoming NIMS compliant may want to exercise caution when grant funding seeks to fund projects or purchases that involve the vendor.

## Tips for Success

The responsibility for distributing Federal funds to localities (non-UASI programs) falls to the states. Each state has a State Administering Agency (SAA) that is responsible for ap-

plying for and administering HSGP funds and ensuring the appropriate funding flows down to local levels quickly (60 days) and fairly. The SAA either directly distributes 80 percent of total funding to the local level, or provides the funding to counties for further distribution.

## Do Your Homework

Becoming involved in the grant funding chain includes becoming familiar with State Homeland Security Strategies. Look to these strategies for development guidelines and technology project forecasts and to gain a broad understanding of the state's goals. Applications that are not in-line with a grant or sponsor philosophy stand a difficult time of winning funding. Security strategies usually provide information on planning committees, advisory boards, and members of these boards and committees. Although SAA's are responsible for distributing funding, for many states the planning and strategy is organized through an advisory body that encompasses cross-state representation. Vendors should consider the relationship between the advisory or steering bodies as they may provide an avenue in order to participate in other programs. Gain the support of these key contacts and advisory bodies, as well as planning and strategy decision-makers.

## Regionalism

Other approaches include tapping into regions using mutual aid agreements and other state agreements. Mutual aid agreements lend emergency responder assistance across jurisdictions. States are encouraged to maintain regional planning structures and training and preparedness efforts, as well as to adopt regional responses. DHS encourages all levels of government collaboration to build, sustain, and share capabilities. NIMS plays a key part in regional efforts as collaboration and information sharing remains a critical goal. Regionalism requires vendors to think broadly when approaching a government entity about a problem and a potential solution. If a solution can be leveraged across multiple cities/counties/states, it will enhance visibility with an Application evaluator/SAA. Vendors can tap into various mutual aid agreements to penetrate into other areas of the state.

## Establish Need

SAA and DHS application evaluators look within applications for critical need. The applicant that best demonstrates catastrophic loss of life or catastrophic economic loss stands a better chance at winning grant money than one that does not.

## Streamline Procurement

State and local governments should be able to get the equipment they need quickly, without going through a lengthy process. A large portion of DHS grant money is spent on critical assets like homeland security equipment. Interoperable communications equipment is fundamental in emergency operations and was one of the largest single expenditures last year. The DHS' Office of Domestic Preparedness (ODP) funded \$925.4 million for interoperable communications equipment for state and local equipment purchases last year through grant funding. Interoperable communications remains a top priority for most states in 2006. Exhibit 2 illustrates the top 3 product spending areas.

## FY 2004 State and Local Equipment Purchases

This includes planned expenditures of ODP State Homeland Security Grant Program (SHSP), Law Enforcement Terrorism Prevention Program (LETPP), Citizen Corps Program (CCP), Urban Area Security Initiative (UASI) and Transit Security Grant (TSG) funding.

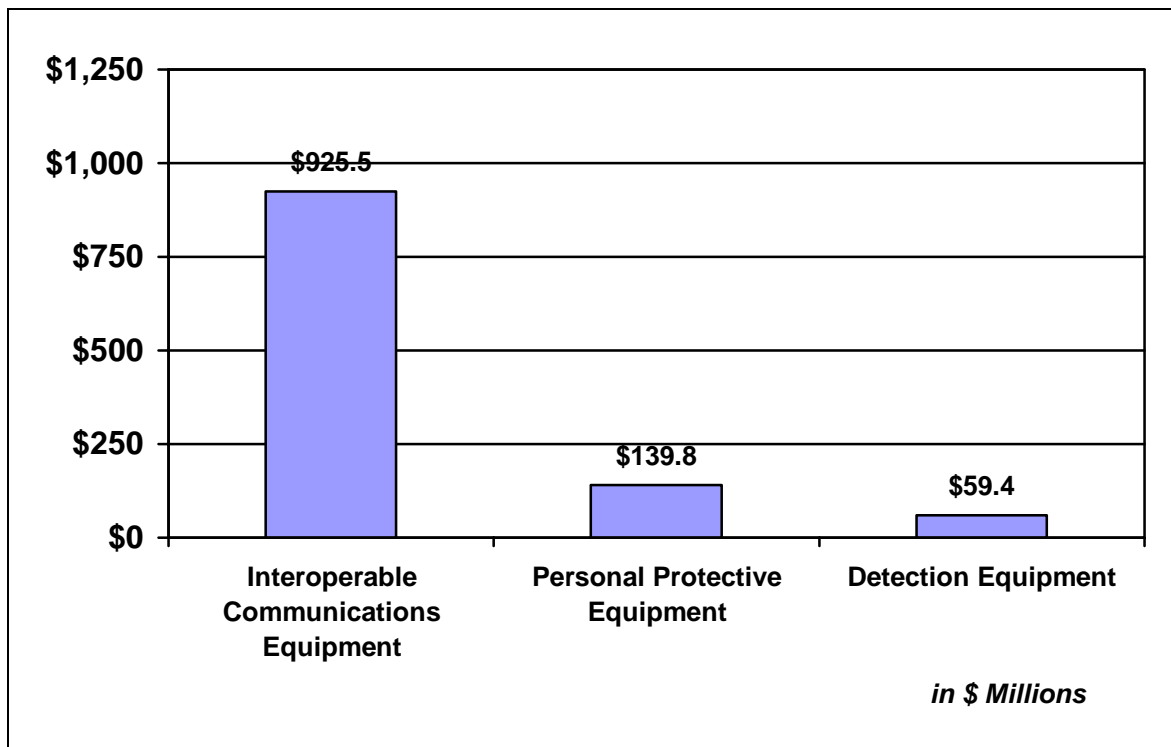


Exhibit 2

Source: DHS

## Obstacles and Hazards

The process for grant funding was previously based on reimbursements to states and localities. Grant funds had to be drawn down within a few days. This process proved to be disorganized and created a delay in disbursing funding to localities and sometimes prevented disbursement of funds entirely. Now grantees are permitted to draw down funds up to 120 days prior to expenditure. This will aid budget-strapped states and localities by not having to “front” project costs and actually utilize federal funds. There are two ways for a locality to receive funds: by waiting for money to make its way down through the state or through the UASI program which provides direct funding.

## Conclusion

Changing the process of how HSGP grants are awarded is a sign of things to come. Although there is some resistance in the House of Representatives to the move from a formula-based system to a risk-based system, DHS is behind it, causing the immediate conversion of many grant dollars from formula to discretionary. While localities can only receive funding through UASI at the moment, INPUT believes there will eventually be changes to increase the amount of programs that eligible to localities directly from the federal government.

States must begin complying with national preparedness plans or wager a reduction in federal funding. The cautious vendor will keep an eye on a prospect's progress towards NIMS compliance. The keys to success for understanding how to benefit from homeland security grant funding is to know the primary players or appropriate advisory bodies, research funding opportunities, and understand the connection with regional plans and the services needed.

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